

Senator ROEBUCK: Eligible to be elected.

The CHAIRMAN: Not eligible for election, yes.

Senator ROEBUCK: Does that apply to re-election?

Mr. PATON: The bank boards are elected annually and come up for re-election each year.

Senator McCUTCHEON: There are many other instances of what Mr. Paton has described, Mr. Chairman.

The CHAIRMAN: Oh, yes. The wording, Senator Roebuck, is that: "A person is not eligible to be elected or appointed a director if . . ." and this is one of the situations.

Senator CROLL: Mr. Chairman, I assume from what Mr. Paton said that he is looking for men with special qualifications in diversified industries, and the question is how do you justify taking three men from one board.

Mr. PATON: These individuals are from various geographical areas in the country, Senator Croll, and they are also from different professions. Their talents are separate entirely from their membership on the board in this particular company. Their talents are there and they would be very eligible directors notwithstanding their membership in the other board.

The CHAIRMAN: The point, Senator Croll, is that if this clause became law, it would mean that these men who are directors of a corporation other than a trust or loan company and who are directors of a bank would have to give up one or the other.

Senator CROLL: That is right.

Senator ROEBUCK: I suppose the effect of this is to spread it around a little bit more and not quite concentrate the directorships into a smaller group. It enlarges the group. I am not speaking for myself, because the act is very discriminating as against me.

The CHAIRMAN: Oh, yes. At least your position would be purely objective.

Senator ROEBUCK: Quite so.

The CHAIRMAN: Seeing that you are not eligible for one of the stated reasons.

Senator ROEBUCK: Quite.

The CHAIRMAN: Are there any other questions on this point?

Senator LANG: I wonder if the witness would care to comment on this: He mentioned this interlocking of directorships and that it would be to the mutual benefit of trust companies and banks. I suggest it is probably to the benefit of banks and trust companies. But I don't think the legislation was directed to the banks or trust companies so much as to the interest of the public generally. How do you reconcile this with the public interest?

Mr. PATON: I think you are referring to joint interests, as we must remember that the matter of main interest to trust Companies and to the banks as well as the ability to earn profits. The only way to earn profits is to improve their image in doing business with the Canadian public. Certainly there has been no evidence that has come to our attention of any detrimental effect whatever in the past, or anything other than a favourable effect.

Senator LANG: What's good for General Motors—

Senator BAIRD: Where did this idea come from? Who originated it?

Senator POWER: I moved it in the Banking committee away back in 1931. Somebody was thinking of it a long time ago.

Senator PROWSE: As I understand it, the new Bank Act provides that banks may now get into the mortgage lending business and provide money for houses, which they have not been able to do before and which constituted about 85 per cent, I think, of the business of trust companies. Now under those circumstances I think we are faced with a new situation where in the interests of competition from both it may be desirable, and